Medicare Prescription Drug, Improvement, and Modernization Act of 2003

IMMEDIATE IMPROVEMENTS FOR PRIVATE PLANS: PROVISIONS EFFECTIVE IN 2004 FOR M+C PLANS

Section 211

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) mandated several changes for the current M+C program (renamed the Medicare Advantage or MA program). The MMA provides additional Medicare revenues to health plans in 2004 to encourage more plan choices for Medicare beneficiaries.

Changes to the method for setting payment rates

- For 2004, adds to the current 3 amounts in the "largest of" methodology a fourth amount that is equal to 100% of projected Medicare fee-for-service costs (with adjustments for excluding direct medical education and including a VA/DOD adjustment). For years after 2004, the Secretary is required to recalculate 100% of fee-for-service Medicare costs at least every 3 years.

- For 2004 and succeeding years, modifies the minimum increase to be equal to the larger of 102% of the previous year's payment rate or the prior year's payment rate increased by the average national MA growth percentage, with no adjustment to this rate for over- or under-projection for years before 2004.

- For 2004, eliminates the budget neutrality requirement for the blend capitation rate.

Announcement of revised payment rates

- The Secretary is required to announce revised payment rates for 2004 resulting from these changes within 6 weeks of enactment. Rates for 2004 that were announced in May 2003 apply for January-February 2004, but the Secretary will ensure that total 2004 payments are what plans would have been paid if these revised rates had been in effect all year.

Implementation

(Note that the first three bullet points below reflect the MMA's requirement that the provisions of section 604 of BIPA of 2001-- related to submission of revised ACR proposals, organization return to the program, and use of additional payment amounts -- will apply in the same manner as they applied to the BIPA rate increases for 2001.)

- ACR Submissions. Existing organizations that experience payment rate increases because of the revised 2004 payment rates are required to submit a revised ACR proposal for 2004 within 2 weeks of the Secretary's announcement of the revised payment rates. When submitting an ACR proposal, an organization may use additional payment amounts only to reduce premiums, reduce cost sharing, enhance

benefits, utilize benefit stabilization funds, or stabilize and enhance access to providers. Organizations choosing to use additional payment amounts to stabilize and enhance access to providers may do so only if this does not result in increased premiums, increased cost-sharing, or reduced benefits. Any regulations that limit the amounts withheld in a benefit stabilization fund are waived with respect to ACR proposals for March-December 2004.

- Return to the Program. Organizations that previously had provided notice of termination or service area reductions may return to the program or their service area if they provide an ACR proposal within 2 weeks after the Secretary announces the revised 2004 payment rates.

- Coverage Changes. Notwithstanding the issuance of revised payment rates, organizations will continue to be paid on a fee-for-service basis for 2004 for costs associated with certain new national coverage determinations and legislative changes in benefits that are made mid-year.

- Notice to Enrollees. Organizations with plans that are required to submit a revised Adjusted Community Rate (ACR) proposal must provide written notice to enrollees of changes in beneficiary premiums, beneficiary cost-sharing requirements, or benefit under the plan. Such notice must be provided not more than 3 weeks after the Secretary approves their revised ACR proposals.

Other provisions

- Provides that private fee-for-service plans with sufficient providers or professionals under contract (for a category of provider or health care professional) can charge beneficiaries higher copayments when they obtain care from non-contract providers or professionals.

- The Secretary is required to study the impact of additional funding for MA plans on the availability of such plans and on the benefits and premiums of such plans. The report is due to Congress by July 1, 2006.